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SUBJECT: DEMARCHE DELIVERED: PROPOSED GOI TARIFF SCHEDULE

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Sensitive but unclassified; please protect accordingly.

¶1. (SBU) Coordinator for the Economic Transition in Iraq Ambassador Charles Ries delivered reftel demarche to Iraqi Minister of Trade Abdul Falah al-Sudani on June 26. Ambassador Ries encouraged the GOI to pursue a "low and flat" tariff strategy and highlighted how such a structure would enhance growth, transparency, and competitiveness in Iraqi industries.

¶2. (SBU) Al-Sudani described the U.S. approach as practical and said he strongly supports the concept of low tariffs, citing the success of similar approaches in Vietnam, Turkey, and Chile. However, al-Sudani believes it will be a great challenge to convince the Council of Ministers and the Ministry of Finance, who he said will have greatest influence on the GOI's final decision, of the merits of low tariffs and a simplified structure. He added that we will need to work together to alter the mindset of those who look to tariffs as the first option to protect and promote Iraqi industry.

¶3. (SBU) Al-Sudani noted that the draft tariff legislation is currently under deliberation in the Shura Council, and that while it enjoys "priority" precedence, it could take up to 6 - 8 months before it is sent on to the Council of Ministers for review. Ambassador Ries stressed the importance of the legislation's timely passage, and al-Sudani said he would "push" for a quicker turn-around.

¶4. (SBU) Post will continue to engage key GOI officials regarding the merits of a simplified tariff structure and WTO accession issues more generally.

CROCKER